

Non-standard Monetary Policy Instruments of Central Banks

Abstract

The aim of this study is to analyze non-standard monetary instruments of central banks and their impact on the example of concrete use of these instruments by the Czech National Bank and the European Central Bank. The first part of this study defines the essence, the implementors, the tasks, and the objectives of the monetary policy. Its tools are also disassembled, both standard and nonstandard. From non-standard instruments, closer attention is paid to the theoretical definition of quantitative easing, negative interest rates and long-term maintenance of the exchange rate commitment. I also deal with the legal anchor, organization, purpose, history, and concept of the monetary policy of two selected central banks, namely the CNB and the ECB. The next part of the study presents the concrete form of non-standard measures used by the CNB and the ECB, it deals with the specific reasons that the central banks led to their implementation, the objectives with which they were adopted and the impact these measures had on the Czech economy and the euro area. Based on the analysis, it is possible to confirm the tested hypothesis that the Czech National Bank and the European Central Bank have succeeded in meeting the objectives set before their introduction with the use of selected non-standard monetary policy instruments. However, there are still many risks and uncertainties associated with the use of unconventional monetary policy. In the case of the CNB, the high volume of foreign exchange reserves owned by the bank or the growth in real estate prices on which foreign exchange interventions participated may be problematic. The ECB has not yet completed its quantitative easing programs, and the deposit facility rate is still negative, and therefore it will be up to whether the move back to conventional monetary policy will go away without market turbulence. Concerns also arise from the nature of some securities that the ECB has purchased under the launched programs of quantitative easing.

Key words: Czech National Bank, European Central Bank, monetary policy, non-standard instruments, foreign exchange interventions, quantitative easing, negative interest rates